

**UINTAH  
TRANSPORTATION  
SPECIAL SERVICE DISTRICT**

**ANNUAL FINANCIAL REPORT  
For the Year Ended December 31, 2008**

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INDEPENDENT AUDITORS' REPORT

To the Administrative Control Board  
Uintah Transportation Special Service District  
Vernal, Utah

We have audited the accompanying financial statements of the governmental activities, and each major fund of Uintah Transportation Special Service District, a component unit of Uintah County, as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Uintah Transportation Special Service District management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Uintah Transportation Special Service District, as of December 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2009 on our consideration of Uintah Transportation Special Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Caldwell, Coombs & Foley, LLP*

Vernal, Utah  
June 15, 2009

## UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT

### Management's Discussion and Analysis

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This section of Uintah Transportation Special Service District's (District) annual financial report presents management's discussion and analysis of the District's financial performance during the year ended December 31, 2008.

#### **Financial Highlights**

##### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information, including this Management's Discussion and Analysis, and the statement of revenues, expenditures and changes in fund balance – budget and actual for the general fund.

##### **Government-wide Financial Statements**

One of the most important questions asked about the District's finances is, "is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements can be found on pages 10 and 11 of this report.

##### **Fund Financial Statements**

All of the District's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations.

We describe the relationship (or differences) between the government-wide financial statements and the related fund financial statements in a reconciliation that follows each fund financial statement. These differences occur because of the differences in accounting methods used for the two types of statements and the difference in focus: long-term verses short-term.

**UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT**  
**Management's Discussion and Analysis**

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**The District as a Whole**

**Net Assets**

The District's net assets increased \$10.3 million, from \$22.5 million the prior year to \$32.8 million at the end of 2008. (See Table 1.)

**Table 1**  
**Net Assets**

	<b>Governmental Activities</b>		<b>Total Change</b>
	<b>2008</b>	<b>2007</b>	<b>2008-2007</b>
Current and other assets	\$ 33,329,857	\$ 23,147,324	\$ 10,182,533
Capital assets	80,162	15,614	64,548
<b>Total Assets</b>	<b>33,410,019</b>	<b>23,162,938</b>	<b>10,247,081</b>
Current and other liabilities	382,907	141,501	241,406
Long-term liabilities outstanding	217,000	506,000	(289,000)
<b>Total liabilities</b>	<b>599,907</b>	<b>647,501</b>	<b>(47,594)</b>
<b>Net assets:</b>			
Invested in capital assets	80,162	15,614	64,548
Restricted	1,119,371	8,011,245	(6,891,874)
Unrestricted	31,610,579	14,488,578	17,122,001
<b>Total net assets</b>	<b>\$ 32,810,112</b>	<b>\$ 22,515,437</b>	<b>\$ 10,294,675</b>

**Changes in Net Assets**

The revenue from mineral lease funds increased \$11 million, as compared to the prior year. (See Table 2.) The increased funding is due to higher prices for oil and natural gas and increased production in Uintah County. A new 24 inch natural gas line which runs north to Rock Springs, Wyoming opened in early 2008 which allowed for increased production. The District received grant funding for highway and bridge construction totaling \$144 thousand; which was \$98 thousand more than grants received in the prior year. Cities in Uintah County paid \$42 thousand toward the costs of District projects in their areas. The District decreased its expenditures for road and bridge construction by \$211 thousand. The District actually increased the number and size of its construction projects; however due to limited availability of certain construction materials (like paving oil and asphalt), limited interest by contractors in District projects, and the amount of planning such as engineering design, utility coordination and property acquisition, the start or completion of several projects was delayed until the next year.

The District's purpose is to construct roads and other transportation improvements within Uintah County, Utah. Since the roads and other improvements belong to Uintah County

**UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT**  
**Management's Discussion and Analysis**

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or one of the county's cities these capital improvements do not result in assets belonging to the District; but represent expenditure of the District's assets.

**Table 2**

**Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Total Change</b>
	<b>2008</b>	<b>2007</b>	<b>2008-2007</b>
<b>Revenues:</b>			
Program revenues:			
Capital Grants	\$ 144,748	\$ 46,338	\$ 98,410
Charges for services	42,394	14,310	28,084
General revenues:			
Mineral Lease Funds	24,070,319	13,026,484	11,043,835
Interest Income	743,356	1,065,105	(321,749)
Gain (loss) on sale of capital assets	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>25,000,817</u>	<u>14,152,237</u>	<u>10,848,580</u>
<b>Expenditures:</b>			
Highways & public improvements			
Program Expenditures			
Transportation systems construction and maintenance	187,142	60,648	126,494
General expenditures			
Compensation & benefits	164,615	128,158	36,457
Insurance	17,228	15,878	1,350
Membership dues	9,286	9,057	229
Miscellaneous	5,780	4,814	966
Occupancy	11,567	12,073	(506)
Office expenses	13,573	18,510	(4,937)
Professional fees	20,673	21,858	(1,185)
Depreciation	6,359	6,449	(90)
Transportation systems construction and maintenance	14,263,532	14,600,965	(337,433)
Interest on long-term liabilities	6,387	13,600	(7,213)
Total expenditures	<u>14,706,142</u>	<u>14,892,010</u>	<u>(185,868)</u>
Increase in net assets	10,294,675	(739,773)	11,034,448
Beginning net assets	<u>22,515,437</u>	<u>23,255,210</u>	<u>(739,773)</u>
Ending net assets	<u>\$ 32,810,112</u>	<u>\$ 22,515,437</u>	<u>\$ 10,294,675</u>



**UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT**  
**Management's Discussion and Analysis**

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**The District's Funds**

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a *combined* fund balance of \$32.9 million. That reflects a *combined* net increase in fund balances of \$9.9 million. (See the statement of revenues, expenditures, and changes in fund balances on page 14.)

The general fund balance increased \$771 to \$37,475.

The capital project fund balance increased \$10.2 million to \$32.5 million. This balance reports funds available for completion of capital projects in future periods.

During 2008 the District's major projects, and the amounts expended were as follows:

Carryover from 2005: Lapoint to Gusher Reconstruction Project \$16,640, Steinaker Service Canal Bridges \$36,496

Carryover from 2006: Duchesne River Bridge \$2,576, 500 North 1550 East Bridge \$12,387, 2500 West Reconstruction \$3,919,209, Alternate Truck Route Study \$203,919, Main Street/2000 West Construction \$595,565, Mountain Fuel Phase 2 Construction \$4,665, Dry Gulch Bridges \$18,965.

Carryover from 2007: 1000 South/2000 West Reconstruction \$404,961, Duck Rock/Evacuation Creek Bridge \$1,731,582, Vernal Avenue Reconstruction \$247,242.

Projects started in 2008: Countywide Chipseal \$3,836,863, Seep Ridge Road \$837,715, Tridell Highway Reconstruction \$2,314,983, Native Asphalt Testing \$239,020, Airport Paving Improvements \$24,341, and Watson Bridge & Roadway Improvements \$70,755.

As of December 31, 2008 the District had outstanding construction and engineering contracts totaling \$4.3 million. The 2009 budget authorizes \$43.2 million for construction projects.

The debt service fund balance decreased \$279,698 reflecting the retirement of revenue bonds. As of the end of the year the district had accumulated the maximum required amounts in the sinking and reserve funds.

**Budgetary Highlights**

The original 2008 fund budgets, adopted in December 2007, were not amended during the year. Actual funds expended were within appropriated amounts. (See the statement of revenues, expenditures and changes in fund balance – budget and actual General Fund on page 27.)

**Capital Asset and Debt Administration**

During 2008, the District purchased a board room table. The District also purchased certain excess real property in the process of acquiring land for road right-of-ways. This property will likely be sold at a future date. (See Note 6 on page 22 for a summary of changes in capital assets.)

The District paid the annual bond payments that matured during the year. The balance of the District's debt matured and was paid in January 2009.

**UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT**  
**Statement of Net Assets**  
**December 31, 2008**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and investments	\$ 25,657,615
Receivables	
From other governments	6,507,354
From others	36,063
Prepaid expenses	9,455
Restricted assets	
Cash and investments	385,105
Project escrow accounts	734,265
Capital Assets not being depreciated	
Land	67,211
Capital Assets net of accumulated depreciation	
Furniture and equipment	12,951
Total assets	<u>33,410,019</u>
<b>Liabilities:</b>	
Accounts payable	369,635
Accrued interest payable	5,425
Accrued compensated absences	7,847
Noncurrent liabilities:	
Due within one year	217,000
Total liabilities	<u>599,907</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	12,951
Restricted for:	
Debt service	385,106
Construction projects	734,265
Unrestricted	31,677,790
Total net assets	<u>\$ 32,810,112</u>

The notes to the financial statements are an integral part of this statement.

**UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT**  
**Statement of Activities**  
**Year Ended December 31, 2008**

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental activities:</b>				
Highways and public improvements				
Compensation and benefits	\$ 164,615			\$ (164,615)
Insurance	17,228			(17,228)
Membership dues	9,286			(9,286)
Miscellaneous	5,780			(5,780)
Occupancy	11,567			(11,567)
Office expenses	13,573			(13,573)
Professional fees	20,673			(20,673)
Depreciation	6,359			(6,359)
Transportation systems construction and maintenance	14,450,674	\$ 42,394	\$ 144,748	(14,263,532)
Interest on long-term liabilities	6,387			(6,387)
Total special service district	<u>\$ 14,706,142</u>	<u>\$ 42,394</u>	<u>\$ 144,748</u>	<u>(14,519,000)</u>
<b>General revenues:</b>				
Mineral lease funds				24,070,319
Interest income				743,356
Total General Revenues				<u>24,813,675</u>
Change in net assets				10,294,675
Net assets - beginning				<u>22,515,437</u>
Net assets - ending				<u>\$ 32,810,112</u>

The notes to the financial statements are an integral part of this statement.

**UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT**  
**Balance Sheets**  
**Governmental Funds**  
**December 31, 2008**

	<b>Major Funds</b>			<b>Total Governmental Funds</b>
	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Assets</b>				
Cash and investments	\$ 42,981		\$ 25,614,634	\$ 25,657,615
Receivables				
From other governments			6,507,354	6,507,354
Others			36,063	36,063
Prepaid expenses	9,455			9,455
Restricted assets				
Cash and investments		\$ 385,105		385,105
Project escrow accounts			734,265	734,265
Total assets	<u>\$ 52,436</u>	<u>\$ 385,105</u>	<u>\$ 32,892,316</u>	<u>\$ 33,329,857</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 14,961		\$ 354,674	\$ 369,635
Total liabilities	<u>14,961</u>	<u>-</u>	<u>354,674</u>	<u>369,635</u>
Fund Balances:				
Reserved for:				
Debt service		\$ 385,105		385,105
Construction Projects			734,265	734,265
Unreserved:				
Undesignated, reported in:				
General fund	37,475			37,475
Capital projects fund			31,803,377	31,803,377
Total fund balances	<u>37,475</u>	<u>385,105</u>	<u>32,537,642</u>	<u>32,960,222</u>
Total liabilities and fund balances	<u>\$ 52,436</u>	<u>\$ 385,105</u>	<u>\$ 32,892,316</u>	<u>\$ 33,329,857</u>

The notes to the financial statements are an integral part of this statement.

**UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets**  
**December 31, 2008**

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<b>Total fund balances for governmental funds</b>	<b>\$ 32,960,222</b>
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	67,211	
Furniture and equipment, net of \$34,920 accumulated depreciation	<u>12,951</u>	80,162

Interest on long-term debt (revenue bonds) is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(5,425)
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Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

Revenue bonds payable	\$ (217,000)	
Compensated absences payable	<u>(7,847)</u>	<u>(224,847)</u>

<b>Total net assets of governmental activities</b>	<b><u>\$ 32,810,112</u></b>
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The notes to the financial statements are an integral part of this statement.

**UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended December 31, 2008**

	<b>Major Funds</b>			<b>Total</b>
	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Governmental Funds</b>
<b>Revenues:</b>				
Intergovernmental				
Mineral Lease Funds	\$ 240,500		\$ 23,829,819	\$ 24,070,319
Federal Highway Grants			44,748	44,748
State Matching Funds			100,000	100,000
Local Matching Funds			42,352	42,352
Interest Income	1,341	\$ 21,952	720,063	743,356
Miscellaneous	42			42
Total revenues	<u>241,883</u>	<u>21,952</u>	<u>24,736,982</u>	<u>25,000,817</u>
<b>Expenditures:</b>				
Current				
Highways & public improvements				-
Compensation & benefits	159,309			159,309
Insurance	17,228			17,228
Membership dues	9,286			9,286
Miscellaneous	5,780			5,780
Occupancy	11,567			11,567
Office expenses	13,573			13,573
Professional fees	20,673			20,673
Capital outlay	3,696		14,517,885	14,521,581
Debt service				-
Principal retirement		289,000		289,000
Interest		12,650		12,650
Total expenditures	<u>241,112</u>	<u>301,650</u>	<u>14,517,885</u>	<u>15,060,647</u>
Excess (deficiency) of revenues over (under) expenditures	<u>771</u>	<u>(279,698)</u>	<u>10,219,097</u>	<u>9,940,170</u>
<b>Fund balances - beginning</b>	<u>36,704</u>	<u>664,803</u>	<u>22,318,545</u>	<u>23,020,052</u>
<b>Fund balances - ending</b>	<u>\$ 37,475</u>	<u>\$ 385,105</u>	<u>\$ 32,537,642</u>	<u>\$ 32,960,222</u>

The notes to the financial statements are an integral part of this statement.

**UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended December 31, 2008**

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<b>Net change in fund balances - total governmental funds</b>	<b>\$ 9,940,170</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of \$1000 or more are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. Governmental funds report the proceeds from the sale of capital assets as other financing sources. However, in the statement of activities, the undepreciated cost of the asset is subtracted from the proceeds to determine gain or (loss) on the sale. The differences are summarized as follows:

Purchase of capital assets	\$ 70,907	
Depreciation expense	<u>(6,359)</u>	64,548

Governmental funds report repayments of revenue bond principal and the related interest as expenditures when the payments are due. In the statement of activities interest on revenue bonds is reported as expense as it accrues, regardless of when it is due. Bond principal payments are reported as reductions to liabilities in the statement of net assets. The net effect of these differences in the treatment of revenue bonds and related interest is as follows:

Revenue bond principal repaid	\$ 289,000	
Interest expense - adjustment to accrual basis	<u>6,263</u>	295,263

Governmental funds report compensation for employee absences when such amounts become due. In the statement of activities that expense is accrued as the benefit is earned by employees.

Compensated absences - adjustment to accrual basis	<u>(5,306)</u>
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<b>Change in net assets of governmental activities</b>	<b><u>\$ 10,294,675</u></b>
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The notes to the financial statements are an integral part of this statement.



**Uintah Transportation Special Service District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. The Reporting Entity**

The Uintah Transportation Special Service District (District) was created November 21, 1988 by order of the Uintah County Board of Commissioners, pursuant to the provisions of the Utah Special Service District Act, Chapter 23, Title II, Utah Code Annotated (1953) as amended, and article XIV, Section 8 of the Constitution of Utah. The purpose of the District is to construct, repair and maintain roads within its service area, which includes all of the unincorporated areas of Uintah County. The District has also provided service within the incorporated cities in Uintah County. No potential component units have been identified for inclusion in these financial statements.

Uintah Transportation Special Service District is a component unit of Uintah County because of its financial accountability to the County. A part-time Administrative Control board, composed of five members appointed by the Uintah County Commissioners, and a full-time executive director manage the District. The Administrative Control Board selects the projects to be completed by the District from a prioritized list received semi-annually from the Uintah County Commissioners.

**B. Government-wide and Fund Financial Statements**

***Government-wide Financial Statements***

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the District as a whole. Individual funds are not displayed. All of the District's operations are reported as governmental activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. The District's activities are confined to a single function: construction of highways and public improvements. Program revenues include: (1) charges for services, which report local match and other charges to users of the District's services or assets; (2) capital grants and contributions, which fund the acquisition, construction or rehabilitation of capital assets, including roads and other transportation infrastructure belonging to other governments within the District's service area. Mineral lease funds and other revenue sources not properly included with program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for governmental funds. All three of the District's funds are presented as major funds.

**Uintah Transportation Special Service District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2008**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements specifically made applicable to governmental funds by GASB.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). The District's operations do not include any internal activities with the exception of transfers between funds, which are eliminated by direct offset. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Mineral lease funds revenues are recognized in the year for which they are allocated to the District while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for revenue bond principal and interest which are reported as expenditures in the year due.

Major revenues susceptible to accrual include mineral lease funds and government grants. In general, other revenues are recognized when cash is received.

**D. Fund Types and Major Funds**

The District reports the following major governmental funds:

- The **general fund** is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **capital projects fund** accounts for the construction of major capital projects.
- The **debt service fund** accounts for the accumulation of financial resources for the payment of principal and interest on the District's long-term debt.

**Utah Transportation Special Service District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2008**

**E. Cash and Investments (See note 3, also.)**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in a cash and investment pool and allocated to each fund based on period-end deposit and investment balances, except for the sinking and reserve funds, which are kept in a required separate account within the debt service fund. The District also has certain funds on deposit in escrow accounts with the Utah Department of Transportation (UDOT). These funds represent the unexpended portion of the District's estimated share of expenses for federal highway funds projects administered by UDOT.

**F. Flow Assumptions for Restricted Resources**

Whenever the District has the option of using either restricted or unrestricted resources to make certain payments (such as capital construction costs being financed partially from restricted grants and partially from the District's own funds) the District's policy is to use restricted resources first.

**G. Capital Assets and Depreciation**

The District's property, furniture and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The District owns no infrastructure assets. The District capitalizes assets with a cost of \$1,000 or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The useful lives estimated for depreciable assets are: furniture and office equipment 3-10 years, and automotive equipment 5 years.

**H. Long-term Debt**

Outstanding debt is reported in government-wide financial statements as liabilities. However, the governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period, and the payment of matured bond principal and interest as expenditures in the year they are due.

**Uintah Transportation Special Service District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2008**

**I. Fund Equity**

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes.

**J. Compensated Absences**

Employees are granted compensation for days absent from work due to vacations and sickness in varying amounts depending on tenure with the District. A maximum of 160 hours of vacation time that has not been used by the end of the year can be carried forward to the next year. A maximum of 200 hours of sick leave can be carried over from year to year. However, if sick leave accrues to over 200 hours it must be cashed out to a level not less than 80 hours. Both unused vacation and sick leave are paid to terminating employees. Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees. (See note 7, also.)

**2. BUDGETARY INFORMATION**

The Uintah Transportation Special Service District follows the budgetary practices and procedures required by Utah State law. These requirements are summarized as follows:

- A formal budget is adopted for all governmental funds. The budget as a complete plan that identifies all estimated revenues and all appropriations for expenditure for the year. The budget must balance, that is, estimated revenues and other financing sources must equal appropriated expenditures. Budgets are adopted on the basis of accounting used for reporting purposes in the governmental funds financial statements. The legal level of budgetary control is the fund level.
- The executive director submits to the Administrative Control Board, a proposed operating budget for the fiscal year beginning January 1.
- The Board discusses and approves the budget and sets a date for a public hearing on the proposed budget.
- A public hearing is held to obtain taxpayer comments and the budget is adopted.
- The Board can transfer budgeted amounts between line items by resolution, but any action that increases or decreases the total budget must be approved by resolution only after public hearing.

**Uintah Transportation Special Service District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2008**

**3. DEPOSITS AND INVESTMENTS (See note 1 E, also.)**

Deposits and investments for local governments are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, (the Act) and by rules of the Utah Money Management Council (the Council). Following are discussions of the District's exposure to various risks related to its cash management activities.

**A. Custodial Credit Risk**

**Deposits**—Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2008 the carrying amount of the District's deposits was \$1,201,943 and the bank balance was \$1,210,968. Of the bank balance, \$250,000 was covered by federal deposit insurance, and \$960,968 was uninsured and uncollateralized.

**B. Credit Risk**

**Investments**—Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

As of December 31, 2008 the District had investments of \$24,840,777 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Uintah Transportation Special Service District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2008**

**4. RECEIVABLES**

Accounts receivable from other governments at December 31, 2008 totaled \$6,507,354 as follows:

The mineral lease funds allotment for the 4<sup>th</sup> quarter 2008 was accrued as income and the account receivable is reported in both the government-wide and governmental funds financial statements. The total due, \$6,507,354, was received March 5, 2009.

Other accounts receivable totaled \$36,063 and were received shortly after the year's end.

**5. RESTRICTED ASSETS**

Restricted assets include cash & investments in the debt service sinking and reserve funds that are restricted for debt service by the respective bond resolutions. (See Note 7.)

Restricted assets also include project escrow accounts. The District has entered into agreements with the Utah Department of Transportation (UDOT) wherein UDOT provides engineering and administrative services incident to construction projects funded by federal highway grants. UDOT required the District to deposit the District's estimated share of project expenses in escrow accounts maintained by UDOT. UDOT pays project expenses, including reimbursements to UDOT for the costs of its services, from applicable federal highway funds and, for the District's share, from the escrow accounts. Any District funds remaining in an escrow account after all project expenses have been paid are to be refunded to the District.

**Uintah Transportation Special Service District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2008**

**6. CAPITAL ASSETS**

**Changes in Capital Assets**

The following table provides a summary of changes in capital assets:

	<b>Capital Assets, not Depreciated</b>	<b>Capital Assets, Depreciated</b>	
	<b>Land</b>	<b>Furniture and Equipment</b>	<b>Totals</b>
Governmental Activities			
Balance, December 31, 2007	\$ -	\$ 44,175	\$ 44,175
Increases	67,211	3,696	70,907
Decreases			-
Balance, December 31, 2008	<u>67,211</u>	<u>47,871</u>	<u>115,082</u>
Accumulated Depreciation			
Balance, December 31, 2007		28,561	28,561
Increases		6,359	6,359
Decreases		-	-
Balance, December 31, 2008	<u>-</u>	<u>34,920</u>	<u>34,920</u>
Governmental Activities			
Capital Assets, Net	<u>\$ 67,211</u>	<u>\$ 12,951</u>	<u>\$ 80,162</u>

**7. LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended December 31, 2008:

<b>Bond Issue</b>	<b>Balance 12/31/2007</b>	<b>Debt Issued</b>	<b>Debt Retired</b>	<b>Balance 12/31/2008</b>	<b>Due Within One Year</b>
1998A Mineral Lease Revenue Bonds (Naples)	\$ 77,000	\$ -	\$ 77,000	\$ -	\$ -
Road Bond Series 1999 (Ballard)	77,000	-	38,000	39,000	39,000
Road Bond Series 1999A (Oilfield Roads)	352,000	-	174,000	178,000	178,000
Total Bonded Debt	<u>506,000</u>	<u>-</u>	<u>289,000</u>	<u>217,000</u>	<u>217,000</u>
	<b>Balance</b>	<b>Debt</b>	<b>Debt</b>	<b>Balance</b>	<b>Due Within</b>
	<b>12/31/2007</b>	<b>Issued</b>	<b>Retired</b>	<b>12/31/2008</b>	<b>One Year</b>
<b>Compensated Absences</b>					
Accrued Compensated Absences	2,541	5,306		7,847	7,847
Total Long-Term Debt	<u>\$ 508,541</u>	<u>\$ 5,306</u>	<u>\$ 289,000</u>	<u>\$ 224,847</u>	<u>\$ 224,847</u>

**Uintah Transportation Special Service District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2008**

The Road Bond Series 1998A was issued October 26, 1998, for \$695,530, bearing interest at 2.5% accruing from July 1, 1999, payable in ten annual payments beginning July 1, 1999. Bond proceeds were used for road construction (Naples City). The final bonds in this series matured and were retired during 2008.

The Road Bond Series 1999 was issued March 10, 1999, for \$350,000, bearing interest at 2.5%, payable in ten annual payments beginning January 1, 2000. Bond proceeds were used for road construction (Ballard City).

The Road Bond Series 1999A was issued June 16, 1999, for \$1,600,000, bearing interest at 2.5%, payable in ten annual payments beginning January 1, 2000. Bond proceeds were used for road construction (oilfield roads).

All of the revenue bonds are payable from the District's allocation of federal mineral lease funds.

The annual debt service requirements to maturity for bonded debt as of December 31, 2008 are as follows:

<b>Year</b>	<b>Bond Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2009	\$ 217,000	\$ 5,425	\$ 222,425
Total	\$ 217,000	\$ 5,425	\$ 222,425

The debt service fund services revenue bond retirements. The general fund services payments for accrued compensated absences.

**Sinking Fund Requirements**

Each bond resolution requires the accumulation of funds in sinking funds and in reserve funds.

An amount equal to the bond principal and interest payment next due is to be paid in four approximately equal installments, due on the tenth day of each May, August, November and February into Sinking Funds. The money in the Sinking Funds may be used only to pay currently maturing principal and interest on the Bonds.

Quarterly payments are to be paid into Reserve Funds each February, May, August and November, until a specified amount is accumulated in the funds. Money in the Reserve Fund may be used only to pay principal and interest on the bond, payable from the sinking fund, falling due at any



**Uintah Transportation Special Service District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2008**

time, for the payment of which there is insufficient money in the sinking funds. Amounts accumulated in excess of the specified amounts are to be paid to the sinking funds annually.

The final bond payments are due January 1, 2009, so the required amounts for the sinking fund are equal to the payoff amounts. Since there are adequate funds in the sinking fund to retire the debt the reserve funds are no longer required.

	Sinking Fund	Reserve Fund	Total
<b>Required Balance at 12/31/2008</b>			
1999	\$ 39,975	\$ -	\$ 39,975
1999A	182,450	-	182,450
<b>Total</b>	<b>\$ 222,425</b>	<b>\$ -</b>	<b>222,425</b>
12/31/2008 Balance in Debt Service Fund			385,105
Excess Funds			<u>\$ 162,680</u>

## **8. PENSION PLANS**

**Plan Description.** The District contributes to the Local Governmental Noncontributory Retirement System which is a cost sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1(800) 365-8772.

**Funding Policy.** In the Local Governmental Noncontributory Retirement System, the District was required to contribute 11.62% of its annual covered salaries for the six months ended June 30, 2008 and 11.62% for the six months ended December 31, 2008. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District contributions to the Local Governmental Noncontributory Retirement System for the years ended December 31, 2008, December 31, 2007, and December 31, 2006 respectively were:

**Uintah Transportation Special Service District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2008**

\$10,137, \$7,382, and \$4,998. The contributions were equal to the required contributions for each year.

The District also participates in a 401(k) deferred compensation plan administered by the Utah Retirement Systems. Employer contributions for the years ended December 31, 2008, 2007, and 2006 respectively were \$5,234, \$3,416, and \$2,642. Employee contributions for the same years respectively were \$5,550, \$4,150, and \$2,601.

## **9. INSURANCE AND RISK MANAGEMENT**

The District carries insurance against damage to its property by fire or other perils.

Workman's' Compensation insurance is provided to District employees to cover job related injuries or sickness.

The District carries a Commercial Crime - Public Employee Dishonesty Policy to insure against theft or dishonesty by its employees.

A fidelity bond is carried on the District's treasurer and records clerk.

The District's automobiles are insured against liability and property damage.

The District's directors and employees are insured against liability due to public official's errors and omissions.

## **10. CONTINGENCIES**

A construction contractor has indicated it plans to sue the District for the increased costs of performing its contract, arguing that the grade of material required by the District exceeded the grade of material specified in the contract. No claim has yet been filed. No estimate has been made of the likelihood of a favorable or unfavorable outcome, nor of the amount or range, if any, of potential loss.

**Uintah Transportation Special Service District**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2008**

**11. COMMITMENTS**

**Construction Contracts**

Active construction and engineering contracts in progress is composed of the following:

	<u>Spent to December 31, 2008</u>	<u>Remaining Commitment</u>
<b>Government Activities:</b>		
Watson Bridge & Roadway Improvements	\$ 70,538	\$ 183,170
Airport Paving Improvements	24,152	83,856
Chip Seal & Painting	39,104	83,096
Seep Ridge Road	837,715	72,845
Alternate Truck Route Study	267,384	146,357
Dry Gulch Bridges Project	73,424	1,504,956
Duck Rock and Evacuation Creek Bridge	1,617,845	69,194
Main Street and 2000 West	563,652	699,722
3500 East	70,720	169,680
2500 West Project	3,927,572	802,472
500 N 1500 E Bridge Replacement	122,250	5,934
Steinaker Service Canal Bridges	221,902	510,727
Vernal Avenue	272,182	8,418
		<u>\$ 4,340,427</u>

**Lease Agreements**

The District leases its office facility under an operating lease. The agreement is for a period of just over 18 months beginning November 18, 2008 and ending June 30, 2010, and requires monthly rental payments of \$700. Rental payments for the year ended December 31, 2008 totaled \$1,120. Future required rental payments are as follows: for the year ending December 31, 2009, \$8,400, and for the year ending December 31, 2010, \$4,200.

**13. RELATED PARTY TRANSACTIONS**

Uintah Transportation Special Service District provides road construction services in Uintah County on roads owned by Uintah County or cities within the County. Projects are selected by the District's Administrative Control Board from a prioritized list of potential projects submitted to the Board by Uintah County. During 2008 the District expended \$14,263,532 on projects submitted by Uintah County. Uintah Transportation Special Service District is a component unit of Uintah County.

**UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual**  
**General Fund**  
**Year Ended December 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues:</b>				
Intergovernmental				
Mineral Lease Funds	\$ 273,000	\$ 273,000	\$ 240,500	\$ (32,500)
Interest income	1,700	1,700	1,341	(359)
Miscellaneous	-	-	42	42
<b>Total revenues</b>	<b>274,700</b>	<b>274,700</b>	<b>241,883</b>	<b>(32,817)</b>
<b>Expenditures:</b>				
Current				
Highways & public improvements				
Compensation & benefits	162,300	162,300	159,309	2,991
Insurance	17,000	17,000	17,228	(228)
Membership dues	10,000	10,000	9,286	714
Miscellaneous	8,800	8,800	5,780	3,020
Occupancy	14,000	14,000	11,567	2,433
Office expenses	17,200	17,200	13,573	3,627
Professional fees	45,000	45,000	20,673	24,327
Capital outlay	400	400	3,696	(3,296)
<b>Total expenditures</b>	<b>274,700</b>	<b>274,700</b>	<b>241,112</b>	<b>33,588</b>
Excess (deficiency) of revenues over (under) expenditures	-	-	771	771
<b>Fund balances - beginning</b>	<b>36,704</b>	<b>36,704</b>	<b>36,704</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ 36,704</b>	<b>\$ 36,704</b>	<b>\$ 37,475</b>	<b>\$ 771</b>

The notes to the financial statements are an integral part of this statement.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

Administrative Control Board  
Uintah Transportation Special Service District  
Vernal, Utah

We have audited the financial statements of the governmental activities, and each major fund of Uintah Transportation Special Service District (District), a component unit of Uintah County, as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Uintah Transportation Special Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Uintah Transportation Special Service District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that

there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. See findings 08-1 and 08-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that finding 08-1 described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Uintah Transportation Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as item 08-3.

Uintah Transportation Special Service District's response to the findings identified in our audit is included in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Administrative Control Board, management, and the Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Caldwell, Coombs & Foley, LLP*

Vernal, Utah  
June 15, 2009



**INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
CONDUCTED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Administrative Control Board  
Uintah Transportation Special Service District  
Vernal, Utah

We have audited the financial statements of the governmental activities, and each major fund of Uintah Transportation Special Service District, a component unit of Uintah County, as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 15, 2009. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2008. The District received the following major State assistance programs from the State of Utah:

Mineral Lease Distribution (Department of Transportation)

The District also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the District's financial statements.)

Federal Highway Funds Projects Administered by the State (Department of Transportation)

Our audit also included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Special Districts

The management of Uintah Transportation Special Service District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an

opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings and responses as finding 08-3.

In our opinion, Uintah Transportation Special Service District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2008.

*Caldwell, Coombs & Foley, LLP*

Vernal, Utah  
June 15, 2009



Uintah Transportation Special Service District  
**Findings and Responses**  
For the Year Ended December 31, 2008

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**08-1. Modified Accrual Accounting**

**Finding** – Mineral lease fund allocations for the fourth quarter were not accrued in the correct year. (This finding repeats part of finding 07-1 reported for the prior year.)

**Criteria** – The District’s financial statements and budgets use the modified accrual basis of accounting as required by generally accepted accounting principles and State law. Revenues must be reported in the year they are earned if they are both measurable and available.

**Effect** – An audit adjustment was required in order to prepare financial statements that are fairly stated in accordance with generally accepted accounting principals.

**Recommendation** – The executive director should insure that all material transactions are recorded in the proper accounting period.

**District Response** – The District upgraded its accounting for accrued revenues and expenditures significantly during the year. An invoice was properly created to record the fourth quarter 2008 mineral lease allocation, however it was incorrectly dated in 2009 when the allocation was actually received.

In the future, we will use the last day of the quarter for which the allocation is received as the date on invoices for all mineral lease allocations

**08-2. Preparation of Financial Statements**

**Finding** – District personnel lack the skills and knowledge to apply generally accepted accounting principles in preparing its financial statements. The District relies on its independent auditors to prepare the financial statements, subject to management oversight and review. (This finding is similar to finding 07-2 reported for the prior year.)

**Recommendation** – The Administrative Control Board and the executive director should continue to maintain management oversight over financial statement preparation services provided by the auditors to insure the auditors’ independence.

**District Response** – The Administrative Control Board evaluated the District’s policies regarding the use of the independent auditors to prepare the financial statements, with

Uintah Transportation Special Service District  
**Findings and Responses**  
For the Year Ended December 31, 2008

appropriate management oversight. The Board concluded that the current arrangement is the most cost effective approach in the current circumstances.

**COMPLIANCE**

**08-3. Treasurer's Fidelity Bond**

**Finding** – The fidelity bond on the District's Treasurer during 2008 was for an amount less than the amount required. The required bond for 2008 was \$858,803. The actual treasurer's bond was \$700,000.

**Criteria** – *Utah Code 51-7-15* and Rule 4 of the Utah Money Management Council require that every public treasurer secure a fidelity bond, based on the previous year's budgeted gross revenues, in the amount shown in a table published by the Money Management Council.

**Recommendation** – At the end of each year, the executive director should calculate the amount required for the treasurer's bond by reference to the final adjusted budget for the year being completed. If an increase in the bond is required, increased coverage should be obtained at that time.

**District Response** – The District increased the treasurer's bond to \$1,000,000 effective February 9, 2009, which amount exceeds the required coverage for the 2009 year. We will add the review of required bond coverage to the procedures we follow each year-end.

Uintah Transportation Special Service District  
**Status of Prior Year Findings**  
For the Year Ended December 31, 2008

The following matters were reported as audit findings in the prior year. The current status of each finding and recommendation are noted.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**07-1. Modified Accrual Accounting**

**Finding** –We noted several significant amounts that were not properly accrued in the District's accounting records, and corrections were required to prepare the financial statements. Mineral lease fund allocations for the fourth quarter were not accrued in the correct year. Accounts payable for retention on construction contracts were not recorded. Other corrections were required also: several transactions in UDOT escrow accounts had not been recorded, and two transfers from capital projects fund to the debt service fund were not recorded. (This finding is similar to finding 06-1 reported for the prior year.)

**Recommendation** – The executive director should insure that all material transactions are recorded in the proper accounting period.

**Current status** – Accounts payable for retention on construction contracts and UDOT escrow account transactions were properly recorded during the year. The mineral lease allocation for the October through December 2008 quarter was not accrued until year-end audit adjustments were made.

**07-2. Preparation of Financial Statements**

**Finding** – District personnel lack the skills and knowledge to apply generally accepted accounting principles in preparing its financial statements. The District relies on its independent auditors to prepare the financial statements, subject to management oversight and review. (This finding is similar to finding 06-2 reported for the prior year.)

**Recommendation** – The Administrative Control Board and the executive director should continue to maintain management oversight over financial statement preparation services provided by the auditors to insure the auditors' independence.

Uintah Transportation Special Service District  
**Status of Prior Year Findings**  
For the Year Ended December 31, 2008

**Current status** – The Administrative Control Board and the executive director continue to maintain management oversight over financial statement preparation services provided by the auditors.